MANITOBA

ANNUAL REPORT

1981-82

Manitoba Development Corporation

MANITOBA DEVELOPMENT CORPORATION

ANNUAL REPORT

March 31st, 1982

Telephone (204) 949-1844
600 - 428 Portage Avenue
Winnipeg, Manitoba R3C 0E4

TABLE OF CONTENTS

Letter of Transmittal	Page 3
Report of the Chairman and General Manager	Page 5
Directors and Officers	Page 6
Auditor's Report	Page 7
Balance Sheet	Page 8 - 9
Statement of Operations	Page 10
Statement of Deficit	Page 11
Equity Investments and Related Loan Receivable	Page 12
Account in Receivership	Page 13
Allowance for Doubtful Accounts and Potential Losses on Investments	Page 14
Notes to Financial Statements	Page 15 - 18
Report of Assistance Granted or To Be Granted	Page 19

MANITOBA DEVELOPMENT CORPORATION

March 30th, 1983.

Honourable Muriel Smith,
Minister Responsible for the Administration of
The Development Corporation Act.

In accordance with the provisions of Part I and Part II of The Development Corporation Act, enclosed is the report on the operations and activities of the Manitoba Development Corporation during the fiscal year ended March 31, 1982.

Respectfully submitted on
behalf of The Board of Directors.

H. J. Jones,
Chairman and General Manager.

600 POWER BUILDING, 428 PORTAGE AVE., WINNIPEG, MANITOBA R3C 0E4 . TELEPHONE (204) 949-1844

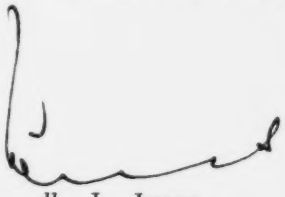
REPORT OF THE CHAIRMAN AND GENERAL MANAGER

I report once again that the financing activities of the Corporation were suspended on November 15, 1977 and the only activity, under Part I of The Development Corporation Act, related directly to the provision of a chartered bank guarantee for A. E. McKenzie Co. Ltd. in the amount of $1,000,000.

Under Part II of The Act, Orders-in-Council provided the authority for the Corporation to lend Canadian Co-operative Implements Ltd. the sum of $2,975,000 and a loan of $3,000,000 to Manitoba Mineral Resources Ltd. Under the latter commitment, the Corporation only advanced $15,000 and this, during the year under review, was repaid in full.

At March 31, 1982 there were 25 loan accounts with a net amount owing of $10,867,332 compared to 26 accounts, at the previous year-end, for a total of $11,148,000. The loan portfolio is considered to be current with only one exception.

The Notes provided by the Provincial Auditor, to his Report, follow along the same lines as previous years with the exception of Note 6 referring to costs for transportation studies. This activity flowed from the Corporation's peripheral involvement in 1980 and 1981 in off-shore marketing for Flyer Industries Limited. A South American municipality (in Peru) requested assistance from Canada in completing a transportation rationalization study and the Corporation helped to negotiate a contract through the Government of Canada. Subsequent to year-end, Canada has agreed to reimburse the Corporation.



H. J. Jones,
Chairman and General Manager.

March, 1983.

Directors and Officers
at March 31, 1982

Board of Directors

HUGH JONES, Chairman and General Manager

JAMES E. GOODMAN

WILLIAM BENNETT

GEORGE DRAM

DAVID EPP

ARNOLD MORBERG

J. ANGUS SPENCE

Officers

HUGH JONES, Chairman and General Manager

ALEC Y. MUSGROVE, Secretary-Treasurer

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MANITOBA DEVELOPMENT CORPORATION

AUDITOR'S REPORT

I report that the financial statements of the Manitoba Development Corporation, a wholly-owned corporation of the Province of Manitoba, have been examined under my direction for the fiscal year ended March 31, 1982. The examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The net income before the provision for doubtful accounts and potential losses shown on the Statement of Operations in the amount of $3,037,153 includes $1,930,586 of interest paid by the Province from its Appropriation on term deposits of $12,259,864 as at March 31, 1982. These excess funds offset non-interest bearing share capital funded by the Province.

Subject to the comments in the preceding paragraph, in our opinion, the financial statements, being the Balance Sheet, Statement of Operations, Statement of Deficit, and Schedules 1, 2 and 3, together with the notes thereto, present fairly the financial position of the Manitoba Development Corporation as at March 31, 1982 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied, except for the changes explained in note 4 to the financial statements, on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

February 14, 1983,
Winnipeg, Manitoba.

	1982	1981
ASSETS		
Part I		
Cash in bank	$ 85,761	$ 9,961
Short term deposits with the Province of Manitoba	12,259,864	9,440,709
Advance to the Province of Manitoba on account of interest under Part II (Note 5)	570,904	243,000
Costs re The Pas Forestry Complex - Recoverable from the Province of Manitoba (Note 3(c))	16,951	242,792
Loans receivable, less allowance for doubtful accounts Schedule 3	10,867,332	11,148,392
Equity investments and related loan receivable, Schedule 1, less allowance for potential losses Schedule 3	11,818,927	9,917,212
Properties held for resale, at the lower of cost or estimated realizable value	235,401	257,455
Office furniture at cost less accumulated depreciation $55,285 (1981 - $54,328)	2,962	2,821
	$ 35,858,102	$ 31,262,342
Part II		
Loans receivable authorized by the Province of Manitoba under Part II of the Development Corporation Act	$ 4,487,500	$ 3,000,000
Loan interest receivable	693,411	243,000
	$ 5,180,911	$ 3,243,000

SIGNED ON BEHALF OF THE BOARD

Director

Director

BALANCE SHEET as at March 31, 1982

	1982	1981
LIABILITIES		
Part I		
Accounts payable	$ 6,464	$ 18,149
Amount due to the Communities Economic Development Fund (Note 4(b))	171,400	28,201
	177,864	46,350
SHAREHOLDER'S EQUITY		
Capital Stock:		
Authorized:		
500,000 shares, par value $100 each		
issued and fully paid 500,000 shares	50,000,000	50,000,000
Deficit	(14,319 762)	(18,784,008)
	35,680,238	31,215,992
	$ 35,858,102	$ 31,262,342
Part II		
Accounts payable	$ 693,411	$ 243,000
Advances from the Province of Manitoba under Part II of the Development Corporation Act	4,487,500	3,000,000
	$ 5,180,911	$ 3,243,000

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations
for the year ended March 31, 1982

	1982	1981
Income:		
Interest:		
Loans - Part I	$ 1,459,358	$ 1,533,403
- Part II	572,039	453,247
Term deposits	1,930,586	1,086,275
	3,961,983	3,072,925
Rental income - net	11,709	12,832
Grants received (Note 6)	8,718	-
Guarantee fees (Note 4(c))	-	46,042
	3,982,410	3,131,799
Expense:		
Interest - Province of Manitoba - Part II	572,039	453,247
Salaries (Note 4)	39,282	96,951
Other expenses (Note 4)	156,655	414,374
Consultants' fees and expenses re: transportation studies (Note 6)	177,281	-
	945,257	964,572
Net income before the following:	3,037,153	2,167,227
Provision for doubtful accounts and potential losses on investments, Schedule 3	(2,245,900)	(1,013,800)
Net income for the year	5,283,053	3,181,027
Less: Subsidy to the Communities Economic Development Fund (Note 4(b))	818,807	28,201
Transfer to Deficit	$ 4,464,246	$ 3,152,826

MANITOBA DEVELOPMENT CORPORATION
Statement of Deficit
for the year ended March 31, 1982

	1982	1981
Balance - beginning of year	$ 18,784,008	$ 21,936,834
Transfer from operations	4,464,246	3,152,826
Balance - end of year	$ 14,319,762	$ 18,784,008

MANITOBA DEVELOPMENT CORPORATION
Equity Investments and Related Loan Receivable
as at March 31, 1982

	Shares Issued and Outstanding	Shares Owned by the Manitoba Development Corporation	Equity Investments	Loan Receivable
William Clare (Manitoba) Ltd.				
Equity investment - nominal value				
Common shares	100	100	$ 1	
Flyer Industries Limited				
Equity investment - at cost				
Preferred shares	10,000,000	9,682,000	9,682,000	
Common shares	552,883	552,563	16,750,106	
Loan receivable				$ 2,486,820
			$ 26,432,107	$ 2,486,820

Summary:	
Equity investments	$ 26,432,107
Loan receivable	2,486,820
	28,918,927
Less: Allowance for potential losses, Schedule 3	17,100,000
Equity investments and related loan receivable - net	$ 11,818,927

MANITOBA DEVELOPMENT CORPORATION
Account in Receivership
as at March 31, 1982

	1982	1981
Saunders Aircraft Corporation Limited	$ 100	$ 100
Less: Allowance for estimated losses, Schedule 3	100	100
Account in receivership - net	$ -	$ -

MANITOBA DEVELOPMENT CORPORATION
Allowance for Doubtful Accounts
And Potential Losses on Investments
for the year ended March 31, 1982

	Balance March 31, 1981	Add: Provision	Balance March 31, 1982
Loans receivable	$ 452,800	$ 54,100	$ 506,900
Equity investment and related loan receivable, Schedule 1	19,400,000	(2,300,000)	17,100,000
Account in receivership, Schedule 2	100	-	100
	$ 19,852,900	$(2,245,900)	$ 17,607,000

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

March 31, 1982

1. Accounting Policies:

(a) The Corporation's lending and guaranteeing activities undertaken on its initiative are under Part I of The Development Corporation Act and are subject to the limitations outlined in note 2; the activities undertaken on the initiative of the Government are under Part II of the Act. In accordance with the Act, the activities under Part I and Part II are accounted for separately.

(b) An accrual basis of accounting is being followed except for (e) below.

(c) The Corporation's financial statements do not include the accounts of its two subsidiary companies on a consolidated basis.

The Corporation's investment in Flyer Industries Limited is shown at cost less an allowance which approximates the accumulated deficit of that company as reported in its audited financial statements for the year ended December 31, 1981.

The Corporation's investment in William Clare (Manitoba) Limited is shown at a nominal value of $1.

(d) The allowance for doubtful accounts, i.e., possible losses on loans to borrowers wherein the Corporation does not have an equity investment, has been determined on an individual account basis.

(e) The officers and employees of the Corporation are not members of the Civil Service of the Government of Manitoba, but they contribute to and are pensionable under the Civil Service Superannuation Fund. In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Corporation contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Corporation's employees amounted to $122,564 as at December 31, 1981.

(f) Salaries and other expenses are subject to sharing with the Communities Economic Development Fund in accordance with the terms disclosed in note 4.

2. Lending Operations:

The Corporation's lending operations were suspended effective November 15, 1977 except that, since that date, on the direction of the Government of Manitoba both Part I and Part II guarantee commitments have been issued, and Part II loan commitments have been made. These guarantees and outstanding Part II loan commitments are included in note 3.

3. Contingent Liabilities and Commitments:

	March 31 1982	March 31 1981
(a) Contingent Liabilities:		
Part I Contingent Liability as guarantor for bank loans to borrowers as follows:		
A.E. McKenzie Co. Ltd.	$ 5,500,000	$ 4,500,000
Flyer Industries Limited	3,000,000	14,000,000
	$ 8,500,000	$ 18,500,000
Part II Contingent Liability - performance bond guarantee:		
Flyer Industries Limited	$ 30,000,000	$ 30,000,000
(b) Commitments:		
Part I Contractual Commitment for professional services	$ 126,559	$ Nil
Part II Commitment - undisbursed balances of approved loans:		
Manitoba Mineral Resources Ltd.	$ 2,985,000	$ -
Canadian Co-operative Implements Ltd.	1,487,500	-
	$ 4,472,500	$ Nil

(c) The Pas Forestry Complex

In accordance with the terms of an agreement dated March 25, 1975, between Manitoba Forestry Resources Ltd., the Province of Manitoba and the Corporation, the Corporation has a continuing responsibility to press all claims in connection with the affairs of the several companies comprising The Pas Forestry Complex or the assets of the Complex, which were transferred to Manitoba Forestry Resources Ltd., and also to defend claims in respect to those assets. All costs incurred by the Corporation in respect of such claims will be reimbursed by the Province of Manitoba.

3. Contingent Liabilities and Commitments (continued):

(d) Saunders Aircraft Corporation Limited

By Order-in-Council, previous capital advances of the Province of Manitoba to the Manitoba Development Corporation regarding Saunders Aircraft Corporation Limited were converted to conditional grants. In accordance with the conditions of this conversion, the net proceeds from the disposal of Saunders' assets are payable to the Province of Manitoba.

(e) Litigation

The Corporation is named as defendant regarding a former loan application. The claim for general damages in the amount of $2 million, special damages, and costs of the action are being defended by legal counsel of the Corporation. No provision has been recorded in the Corporation's accounts regarding this claim.

4. Administration of the Corporation:

(a) Since April 1, 1980 the Manitoba Development Corporation has been jointly administered with the Communities Economic Development Fund.

For the year ended March 31, 1982 the only common administrative expenses paid by M.D.C. were for rent and utilities, with all other common costs being paid by C.E.D.F. For the year ended March 31, 1981, in addition to rent and utilities, M.D.C. also paid for:

Directors' expenses	$ 13,503
Telephone and telegraph expenses	$ 20,609
Prorated portion of C.E.D.F. salaries	$ 57,900

These common costs are now paid by C.E.D.F.

(b) For the year ended March 31, 1981 M.D.C. paid a subsidy payment to C.E.D.F. of $28,201 for that portion of C.E.D.F.'s operating deficit not covered by the Province. For the year ended March 31, 1982 and in future years, M.D.C. will provide the subsidy payment required by C.E.D.F. to cover its expenses.

(c) Effective April 1, 1981 the Corporation discontinued the practice of charging fees for acting as guarantor on bank loans. Guarantee fees charged in the previous year and reflected as a receivable from A. E. McKenzie Co. Ltd. as at March 31, 1981 in the amount of $22,083 were waived and charged to other expenses during the current year.

(d) To the extent of the aforementioned changes, the Corporation's operations are not comparable with those of the previous year.

5. Part II Interest Charges:

The advance to the Province of Manitoba on account of interest under Part II pertains to payments made by the Corporation to the Province on behalf of A.E. McKenzie Co. Ltd. Subsequent to the year end, A. E. McKenzie reimbursed the Corporation.

6. Transportation Studies:

During the year, the Corporation undertook certain transportation studies in other countries. These studies are considered to have potential direct benefits to both Canada and the Province of Manitoba, and on this basis, applications for cost-sharing with Canada are in process.

As at March 31, 1982 $177,281 has been expended on transportation studies projected to cost approximately $304,000. The Corporation has recovered $8,718 through grant assistance from Canada towards these costs. Possible further recoveries that may be forthcoming will depend on Canada's review of the Corporation's applications. No amount has been recorded in the Corporation's accounts for this contingent asset.

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted
for the year ended March 31, 1982

Assistance approved under Part I of the Development Corporation Act

A. E. MCKENZIE CO. LTD. Guarantee - fee Nil	$ 1,000,000

Assistance approved under Part II of the Development Corporation Act

CANADIAN CO-OPERATIVE IMPLEMENTS LTD. Loan - interest rate Nil - 10 year term	$ 2,975,000
MANITOBA MINERAL RESOURCES LTD. Loan - interest rate at bank Prime - repayable on demand	$ 3,000,000

AUDITOR'S REPORT

The foregoing report has been prepared by the officials of the Manitoba Development Corporation and checked by my representatives with the records of the Corporation which have been audited by us. In our opinion this report reflects the assistance granted or committed to be granted by the Corporation for the year ended March 31, 1982.

W. K. Ziprick, C.A.,
Provincial Auditor.

February 14, 1983,
Winnipeg, Manitoba.